

Title of report: 2022/23 Financial Statement Audit Progress

Meeting: Audit and Governance Committee

Meeting date: Wednesday 27 September 2023

Report by: Head of Strategic Finance

Classification

Open

Decision type

This is not an executive decision

Wards affected

(All Wards);

Purpose

To report progress on the external audit of the council's 2022/23 financial statements.

Recommendation(s)

That:

- a) **Audit and Governance Committee note the progress of the external audit of the Statutory Accounts for the year ended 31 March 2023.**

Alternative options

1. There is no alternative option. The Local Audit and Accountability Act 2014 requires the council to produce a Statement of Accounts in accordance with the Accounts and Audit Regulations 2015, which are subject to audit by the council's external auditors.

Key considerations

2. The council is required to prepare an annual Statement of Accounts and to arrange for them to be audited and reported in accordance with the Accounts and Audit Regulations 2015 and the 2022/23 Code of Practice on Local Authority Accounting in the United Kingdom, issued by the Chartered Institute of Public Finance and Accountancy (CIPFA). The Statement of Accounts

presents the overall financial position of the council and comprises: a narrative report and annual governance statement, comprehensive income and expenditure statement, balance sheet, movement in reserves statement, cash flow statement, collection fund statement, group accounts and supporting notes.

3. The council prepared the draft Statement of Accounts for 2022/23 and published them on 31 May 2023, in line with the statutory deadline determined by the Accounts and Audit Regulations 2015 and provided accounts to the external auditors (Grant Thornton) on this date. Only 30% of UK local authorities met the deadline to publish the 2022/23 accounts.
4. The external audit of the financial statements commenced on 3 July 2023 in accordance with the External Audit Plan 2022/23 presented to this Committee on 23 June 2023.
5. The council's Finance Team has worked with the external auditors to provide detailed working papers, evidence for sample testing and explanations to support management judgements and accounting estimates for transactions and balances reported in the financial statements for the year ended 31 March 2023. External audit have acknowledged that responses to all information requests have been prompt with high quality audit evidence provided by the council Finance Team.
6. Significant progress has been made with no material errors in the accounts noted to date however, as a result of a number of challenges, Grant Thornton are not able to present the 2022/23 External Audit Findings Report as previously planned and the statutory deadline to deliver the audit opinion on the financial statements by 30 September 2023 will now not be met. These challenges include staff resources, multiple sickness absences and issues with the skills and experience of the junior members of the audit team. A representative from Grant Thornton will be attending the meeting to answer any questions in respect of the progress made to date.

Community impact

7. The audit of the Statement of Accounts in accordance with statutory requirements helps the council to achieve its code of corporate governance commitment to behave with integrity, demonstrate strong commitment to ethical values, and respect the rule of law. The council is accountable for how it uses the resources under its stewardship, including accountability for outputs and outcomes achieved. In addition the council has an overarching responsibility to serve the public interest in adhering to the requirements of legislation and government policies.

Environmental Impact

8. The council provides and purchases a wide range of services for the people of Herefordshire. Together with partner organisations in the private, public and voluntary sectors we share a strong commitment to improving our environmental sustainability, achieving carbon neutrality and to protect and enhance Herefordshire's outstanding natural environment.
9. This report is to note audit progress in respect of the financial statements so will have minimal environmental impacts, however consideration has been made to minimise waste and resource use in line with the council's Environmental Policy. For example, the external audit on the draft accounts will be completed remotely, reducing travel impact and paper usage.

Equality duty

10. Under section 149 of the Equality Act 2010, the 'general duty' on public authorities is set out as follows:

A public authority must, in the exercise of its functions, have due regard to the need to –

- a) eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under this Act;
 - b) advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it;
 - c) foster good relations between persons who share a relevant protected characteristic and persons who do not share it.
11. The public sector equality duty (specific duty) requires us to consider how we can positively contribute to the advancement of equality and good relations, and demonstrate that we are paying 'due regard' in our decision making in the design of policies and in the delivery of services. As this is a decision on back office functions, we do not believe that it will have an impact on our equality duty.

Resource implications

12. There are no new resource implications from this report.

Legal implications

13. The Accounts and Audit Regulations 2015 (the Regulations) requires the council to produce and publish an annual statement of accounts in accordance with the Regulations.”
14. The Local Audit and Accountability Act 2014 outlines the general powers and duties of the auditor. Part 5, s20 of The Local Audit and Accountability Act 2014, details the duties of the auditor as follows:
- (1) In auditing the accounts of a relevant authority other than a health service body, a local auditor must, by examination of the accounts and otherwise, be satisfied—
 - (a) that the accounts comply with the requirements of the enactments that apply to them,
 - (b) that proper practices have been observed in the preparation of the statement of accounts, and that the statement presents a true and fair view, and
 - (c) that the authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

Risk management

15. The council is required to make arrangements for the proper administration of its financial affairs and to secure that the Chief Financial Officer has the responsibility for the administration of those affairs. The council is also required to secure economic, efficient and effective use of resources on which Grant Thornton provide a value for money opinion.

Consultees

16. None.

Appendices

Appendix A: Grant Thornton Progress Report September 2023

Background papers

None identified.